

Message Text

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DRAFTED BY ARA-LA/EP:RFWEBER:ET

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FM SECSTATE WASHDC

TO AMEMBASSY QUITO IMMEDIATE

C O N F I D E N T I A L STATE 245026

EXDIS

E.O. 11652: GDS

TAGS: PFOR, EC

SUBJECT: AID PHASEOUT

REF: (A) QUITO 7446; (B) QUITO 7429 (C) STATE 197229

FOR AMBASSADOR

1. WE ARE CONCERNED THAT REPORTED REACTION OF
PRESIDENT RODRIGUEZ (REF B) MAY LEAD TO MISUNDERSTANDINGS
THAT COULD AFFECT MFM AND OTHER CURRENT BILATERAL
ISSUES. WE, THEREFORE, SUGGEST THAT YOU SEEK EARLIEST
OPPORTUNITY TO DISCUSS AID PHASEOUT QUESTION DIRECTLY
WITH PRESIDENT RODRIGUEZ IN ORDER TO ASSURE THAT
HE AWARE OF AND CORRECTLY UNDERSTANDS RATIONALE FOR OUR
DECISION AND NATURE OF GRADUAL PHASEOUT PACKAGE WE ARE
OFFERING. IN DISCUSSING THE QUESTION WITH THE
PRESIDENT, YOU SHOULD DRAW ON SUGGESTIONS PROVIDED
REF C, AND ON AIDE MEMOIRE USED IN DISCUSSIONS WITH
MINISTERS. YOU SHOULD INDICATE THAT U.S.

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RECOGNIZES POINTS MADE BY GOE MINISTERS THAT ECUADOR'S

ECONOMIC AND SOCIAL DEVELOPMENT PROBLEMS WERE NOT SOLVED OVERNIGHT BY OIL REVENUES AND THAT EXTERNAL TECHNICAL ASSISTANCE STILL NEEDED. YOU SHOULD EMPHASIZE HOWEVER, THAT U.S. DECISION IS SOLELY RELATED TO ECUADOR'S IMPROVED FINANCIAL SITUATION AND ITS CONSEQUENT ABILITY TO FINANCE ITS OWN DEVELOPMENT

ASSISTANCE NEEDS. YOU SHOULD POINT OUT CONGRESSIONAL MANDATE TO GIVE PRIORITY TO POORER COUNTRIES SEVERELY AFFECTED BY OIL PRICE INCREASES AND TO GRADUATE COUNTRIES THAT ARE RELATIVELY WELL OFF FINANCIALLY . GIVEN SCARCITY OF ASSISTANCE RESOURCES FAILURE TO PHASE OUT OF BETTER OFF COUNTRIES WILL SEVERELY RESTRICT OUR ABILITY TO RESPOND TO NEEDS OF THOSE IN GREATEST NEED.

2. GRADUAL PHASEOUT PLAN INCLUDING THE TERMINAL TECHNICAL ASSISTANCE LOAN TO BE DISBURSED THROUGH FY 77 WAS DESIGNED SPECIFICALLY TO AVOID ANY IMPLICATION OF AN ULTIMATUM ON THE PART OF THE UNITED STATES, EVEN THOUGH FROM A STRICT FINANCIAL POINT OF VIEW AN EARLIER PHASEOUT MIGHT BE APPROPRIATE. YOU SHOULD EMPHASIZE THIS ASPECT TO THE PRESIDENT, POINTING OUT THAT THE PACKAGE WE HAVE PROPOSED PROVIDES AN AMPLE FRAMEWORK FOR NEGOTIATION OF SPECIFICS AND SUFFICIENT TIME SO THAT ANY IMPLICATIONS OF A U.S. ULTIMATUM CAN BE AVOIDED. IF IT WOULD BE HELPFUL YOU MAY TELL THE PRESIDENT THAT ALTHOUGH THE PHASEOUT LOAN MUST BE AUTHORIZED IN FY 1975 WE HAVE NO OBJECTION TO DELAYING SIGNATURE UNTIL A CONVENIENT TIME IN FY 76. INGERSOLL

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